

CDT debt program hungry for loans

By John Zipperer

Developers who have had trouble getting the attention of lenders may have better luck in 2005. The Community Development Trust (CDT) is expanding the reach of its debt program for affordable housing developers. It is hoping to attract more of the small or scattered-site developments that fall between the cracks of traditional secondary market programs.

The New York City-based CDT is a private real estate investment trust (REIT) dedicated to preserving affordable housing (see *Affordable Housing Finance*, June 2002, page 52). The REIT may be best known for buying up properties at risk of conversion to market-rate rents and giving their sellers an exit strategy that saves them from onerous exit taxes.

The core of CDT's debt program, which serves as a secondary market for both new and existing multifamily rental properties, is a fixed-rate forward com-

mitment offering for permanent mortgages. It has closed \$120 million in loans since it began in 1999, and it has an additional \$100 million to \$120 million in commitments. Although CDT's sister program for equity operates in 31 states,

its debt program has a smaller footprint and currently is active in 22 states. CDT is looking to expand the debt program's reach to additional states, according to Brian Gallagher, CDT's vice president of debt.

Working with its correspondent lender, California Community Reinvestment Corp., CDT provided \$15.5 million in permanent fixed-rate mortgage capital to Advanced Development & Investment, Inc., for its City Lights Communities development in Los Angeles.



CDT debt program participating lenders

Participating lenders include:

- American Property Financing, Inc.
- AmSouth Bank
- Arbor Commercial Mortgage
- Bank of America (including Fleet Bank, which it acquired)
- Bonneville Mortgage Co.
- California Community Reinvestment Corp.
- Fifth Third Bank
- JPMorgan Chase (including Bank One)
- MMA Financial
- NEF Mortgage Corp.
- Neighborhood Lending Partners, Inc.
- Stearns Bank
- The Reinvestment Fund
- Wachovia
- Wisconsin Housing and Economic Development Authority

CDT recently signed up AmSouth Bank as a participating lender that CDT expects to help it spread further throughout the South and Southeast. (See sidebar for other participating lenders.)

The program's regional presence is the result of the activities of its participating lenders more so than by design of CDT. "To a large degree, we're opportunistic: We go where there's opportunity and where there's need," Gallagher said. In the early years of the debt program, CDT did a lot of business in Philadelphia and it gained a strong presence in Texas. Today, it also is looking to grow in the Midwest and Northwest.

A market for underserved developers

CDT is a secondary market, not a direct lender. Its underwriting and use of standardized documents is modeled after Fannie Mae, and the two organizations complement each other. (Fannie Mae was one of the original investors in CDT in 1999.) CDT provides a secondary market for developments not favored by traditional markets, such as scattered-site low-income housing tax credit (LIHTC) developments, small markets, HOPE VI projects and loans without rated credit enhancement.

The REIT generally buys individual loans and pools them. In late November, it announced that it had securitized \$44.5 million from 32 loans through Fannie Mae mortgage-backed securities; JPMorgan Chase then bought the securities. Fannie Mae "saw us as a potential aggregator, in addition to acquiring smaller pools that Fannie would rather

not tackle on its own," said Gallagher.

Loan sizes range from \$500,000 to \$5 million, while the average loan is about \$2 million. CDT will make site visits to developments to get its own view of

for key terms of the program).

The size of loans has enabled some creative hookups, such as Wisconsin Housing and Economic Development Authority's (WHEDA)

involvement as a lending partner. "WHEDA was unique in that it basically created a lending unit in Wisconsin because their average loan was \$700,000, and that market was not being served well by lenders," said Gallagher.

Developers interested in the CDT debt package should contact one of CDT's lending partners, not CDT. "I want developers to know we're around," Gallagher said. "Our con-

stituency is lenders, but developers [should] know we're around because we're a source of capital for their lending partners." ■



CDT provided a 24-month, \$3.4 million forward commitment for Bradenton Village, a HOPE VI project in Bradenton, Fla., being redeveloped by Telesis Corp. and the Bradenton Housing Authority. Wachovia Multifamily Capital was the lending partner.

CDT's debt program terms

Eligible loans: Individual first mortgage loans and portfolios of closed loans

Eligible properties: New and existing affordable rental housing with at least 24 units; all projects must satisfy Community Reinvestment Act criteria; projects may be scattered-site, seniors apartments, assisted living, limited-equity cooperatives, single-family rental units, and other nontraditional, multifamily rental housing

Loan size: \$500,000 to \$5 million

Term/amortization: Up to 30 years term and amortization; standard term is 18 years, with 25- to 30-year amortization

Interest rate: Fixed at a spread over the 10-year Treasury for terms up to 18 years and over comparable-term Treasuries for terms of 18-30 years

Debt-service-coverage ratio: 1.15x for low-income housing tax credit (LIHTC) projects; at least 1.20x for non-LIHTC projects

Documentation: New loans must be originated using standard Fannie Mae documents

Loan-to-value ratio: Up to 90% for LIHTC projects; lower for other projects

Fees: \$1,500 application fee (lender may have additional fees)

Approval timeframe: At least 10 days from receipt of application

Source: CDT debt program term sheet for multifamily mortgage loans

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